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**AIRCRAFT LEASING COMPANY, ITS OWNER, AND SIX OTHER DEFENDANTS
INDICTED IN ALLEGED \$50 MILLION FRAUDULENT FINANCING SCHEME**

Charges include obstructing SEC investigation and tax fraud

CHICAGO — The owner of an aircraft leasing company, who was indicted earlier this year on commercial bribery charges, his corporation, and five new individual defendants are facing an expanded federal indictment alleging that they engaged in a fraudulent financing scheme that raised more than \$50 million. Several defendants, including one additional defendant not charged in the fraud scheme, were charged with obstructing a Securities and Exchange Commission lawsuit against the leasing company and its owner based on the allegedly fraudulent aircraft investment deals. In all, seven defendants and a corporation were charged in a 21-count superseding indictment returned today by a federal grand jury. An eighth man, who is cooperating with the government, pleaded guilty last month to fraud and tax evasion, admitting that he accepted more than \$400,000 in bribes as part of the scheme.

The charges were announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation, and Alvin Patton, Special Agent-in-Charge of the Internal Revenue

Service, Criminal Investigation Division in Chicago. The SEC cooperated with the investigation, which falls under the umbrella of the Financial Fraud Enforcement Task Force.

The lead defendant, **Brian Hollnagel**, 37, of Chicago, the owner, president and chief executive officer of the defendant corporation, **BCI Aircraft Leasing, Inc.**, was charged with 12 counts of wire fraud, two counts each of tax fraud and obstruction of the SEC lawsuit, and one count of bribery. Hollnagel has remained free on a \$1.7 million secured bond since he was arrested last March on one count of wire fraud in connection with the commercial bribery scheme alone.

BCI Aircraft Leasing, Inc., which buys, sells and leases commercial airplanes and operated first in Naperville and later Chicago, was charged with 11 counts of wire fraud, two counts of obstructing the SEC lawsuit, and one count of bribery.

Also indicted were:

Craig Papayanis, 49, of Moorpark, Calif., who held various positions at BCI, including managing director and chief financial officer, who was charged with six counts of wire fraud. Prior to joining BCI in 2000, Papayanis was vice president at Los Angeles-based Coast Business Credit, where he acted as the loan officer on bank loans and a credit line to BCI totaling more than \$40 million;

Jason R. Hyatt, 37, of Winfield, Ill., an owner of Hyatt Johnson Capital, LLC., an investment company that offered and sold to its customers investments totaling more than \$20 million in BCI aircraft financing deals; two counts of wire fraud and one count of obstructing the SEC lawsuit;

William Hatamyar, 55, of Edmond, Okla., president of AirBanker, a division of Chicago-based Bridgeview Bank Group, where he acted as the loan officer on bank loans and a credit line to BCI totaling more than \$30 million; two counts of wire fraud, and one count each of false statements to a financial institution and bribery;

Jeffrey Meyer, 52, formerly of suburban Lake Zurich, who was BCI's controller from 2003 to 2006; two counts of wire fraud;

Martin Collier, 64, of Chicago and Woodland Hills, Calif., who was the chief financial officer, among other positions, at BCI; two counts of wire fraud and one count each of obstructing the SEC lawsuit and perjury; and

Robert Carlsson, 41, of Chicago, a licensed securities broker who raised money for BCI from outside investors. At various times, he was a managing director for BCI, was chief executive officer of BCI Capital Management, and owned 21 Capital Group, Inc., a registered securities broker-dealer; two counts of obstructing two separate SEC examinations of him and his company, 21 Capital Group.

The defendants will be arraigned at a later date before U.S. District Judge Amy J. St. Eve in Federal Court in Chicago.

The indictment also seeks forfeiture from all eight defendants of proceeds of the fraud scheme, including at least \$840,000 in bribe payments from Hollnagel to Hatamyar and \$400,000 in bribe payments to cooperating defendant, Brian Olds, 67, of suburban Kildeer, as well as all proceeds from the loans and credit lines from Coast Business Credit and Bridgeview Bank, all proceeds from the sales of aircraft involved in the alleged fraud scheme, all proceeds from the more than \$40 million raised by BCI from investors, and 13 Boeing 737 aircraft.

According to the indictment, beginning no later than early 2000 and continuing through at least early 2009, Hollnagel, BCI, Papayanis, Hyatt, Hatamyar, Meyer, Collier and others fraudulently obtained and retained financing and other funds for BCI and enriched themselves to the detriment of investors, lenders and others. Specifically, they allegedly:

- ▶ made and caused misrepresentations to be made to investors and prospective investors about the expected returns on the investments, the source of funds used to pay returns to investors, the use of funds raised from investors, the status of investments, and the ownership interest that certain investment groups had in particular aircraft;
- ▶ used bribes and other payments to obtain term loans, lines of credit, and pricing and competitive advantages, and
- ▶ made and caused misrepresentations to lenders regarding the membership of various investment groups and BCI's ownership interest in collateral.

As a result, the defendants allegedly raised or otherwise obtained more than \$50 million, commingled these funds, and misappropriated some of the funds for their own use. They also concealed the scheme by providing false testimony and information in connection with the SEC's lawsuit, misleading and attempting to mislead BCI's investors and independent auditors, and creating phony accounting records.

For example, the indictment alleges that Hollnagel, BCI, Papayanis and others falsely represented to prospective investors and actual investors in two BCI-managed investment groups, as well as to Hyatt Johnson Capital and its customers, that their combined funds of more than \$5 million would be, and had been, used to acquire an ownership interest in one or more aircraft on lease to US Airways that BCI had acquired in the spring of 2005. The defendants allegedly knew, however, that the lender that had financed the acquisition of the aircraft had prohibited any ownership interests by outside investors without the lender's approval, which was never sought nor granted.

As a further example, in December 2004, Hollnagel and BCI sold two aircraft on lease to US Airways for a combined total of \$15.4 million, resulting in a profit of almost \$4 million, which was supposed to be split with investors, but was misappropriated for other purposes, the indictment alleges. Both the initial and superseding indictments alleged that those two aircraft were the subject of a bribe, with Hollnagel paying \$250,000 to Olds — formerly vice president of a competing commercial aircraft sale and leasing company, AAR Corp., of suburban Wood Dale — to ensure AAR's purchase of the aircraft for \$15.4 million from BCI, providing BCI with a \$4 million profit just a few months after BCI acquired one airplane and only two weeks after it acquired the second

aircraft. Hollnagel, BCI, Papayanis and Meyer then allegedly concealed from investors that both aircraft had been sold.

After the SEC filed its civil enforcement action against Hollnagel and others in 2007, *SEC v. Hollnagel, et al.*, 07 CV 4538 (N.D. Ill.), Hollnagel, BCI and Collier allegedly fraudulently created documents and provided them to the SEC, and Hyatt allegedly deleted data from two computers that had been subpoenaed in the SEC civil litigation. Collier also allegedly committed perjury by providing contradictory sworn testimony on two separate occasions.

Hollnagel was also charged with two counts of filing false federal income tax returns. One count charges that in 2009 he filed a false amended return for 2005 that failed to disclose on Schedule C gross income that he received from the sale of a Lear35A aircraft by BCI Jet Sales and Leasing, LLC, which BCI Jets had purchased for approximately \$1 million and sold a few months later for approximately \$2.35 million, minus about \$260,000 in maintenance expenses.

The second tax count alleges that Hollnagel filed a false tax return for 2006, stating that his gross income was \$75,488, knowing that he failed to disclose more than \$3 million he received from BCI Jets and which he used to purchase a home in Aspen, Colo., for approximately \$7 million.

The Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and

financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit: www.StopFraud.gov.

The government is being represented by Assistant U.S. Attorneys Scott Drury and Kenneth Yeadon.

The maximum penalties for the crimes charged in the indictment are as follows: wire fraud and making false statements to a financial institution: 30 years in prison and a \$1 million fine, or a fine totaling twice the loss to any victim or twice the gain to the defendant, whichever is greater; bribery: 30 years in prison and a \$1 million fine, or a fine totaling three times the value of the amount given or twice the loss to any victim or twice the gain to the defendant, whichever is greater; obstructing the SEC lawsuit: 20 years in prison and a \$250,000 fine; perjury: 5 years in prison and a \$250,000 fine; filing a false federal income tax return: 3 years in prison and a \$250,000 fine. In addition, a defendant convicted of tax offenses faces mandatory costs of prosecution and remains liable for any taxes owed, as well as a civil fraud penalty up to 75 percent of any underpayment plus interest. If convicted, the Court would impose a sentence it deems reasonable under the advisory United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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